

Message Text

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ACTION AID-31

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FM AMEMBASSY NEW DELHI

TO AMEMBASSY DACCA PRIORITY

INFO SECSTATE WASHDC 9123

UNCLAS NEW DELHI 7563

FROM HAGER RLA

SUBJECT: REHAB GRANT - LOCAL CURRENCY PURCHASED BY CONTRACTORS
UNDER AID L/COMMS

REF: DACCA 2694

1. REGRET DELAY IN RESPONSE. REFTEL REQUESTING MY COMMENTS ONLY
REACHED ME ON JUNE 9, UPON MY RETURN TO NEW DELHI.

2. SUGGEST USAID ACTION ON DEMONETIZED 100 TAKKA NOTES TAKE INTO
ACCOUNT FOLLOWING CONSIDERATIONS:

A. LEGAL RELATIONSHIPS. UNDERSTAND FOUR AFFECTED FIRMS HAVE
CONTRACTUAL RELATIONSHIPS WITH BDG RATHER THAN AID/. HENCE
PRIMARY RESPONSIBILITY FOR PROVIDING LOCAL CURRENCY WOULD
APPEAR TO REST WITH BDG, NOT AID. UNDER SEC 6.2 OF SUBJECT
GRANT, BDG MUST REQUEST AID DISBURSEMENTS TO FINANCE LOCAL
CURRENCY COSTS. THEREFORE MISSION SHOULD MAKE SURE BDG
HAS EITHER REQUESTED OR AGREED IN WRITING TO PROPOSED
FINANCING PROCEDURE BEFORE RELEASING FUNDS.

B. REFUND PROVISION. SEC 6.5 OF SUBJECT GRANT WOULD APPEAR
PERMIT AID TO REQUEST REFUND FOR DISBURSEMENTS WHICH HAVE
BEEN EFFECTIVELY BLOCKED BY TAKKA DEMONETIZATION. IF AID MAKES
SECOND DISBURSEMENT FOR LOCAL CURRENCY COSTS, IT SHOULD
CONSIDER REQUESTING BDG TO REFUND FIRST DISBURSEMENTS MADE
FOR SAME PURPOSE.

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C. CONSULTATIONS. NOTWITHSTANDING PARA 3 REFTEL, YOU MAY WISH

CITE SEC 3.1 (C) OF SUBJECT GRANT IF FURTHER DISCUSSIONS WITH BDG
DEEMED USEFUL. NOTE THAT SUBJECT AGREEMENT (SEC 8.4) MAKES
SECRETARY, PLANNING COMMISSION THE GRANTEE'S REPRESENTATIVE.

D. ADDITIONAL ARGUMENT. IN SEC 3.1 (A) OF SUBJECT GRANT BDG
AGREED CARRY OUT SUB-PROJECTS IN CONFORMITY WITH "SOUND..FINANCIAL...
PRACTICES". DEMONETIZATION ACTION WOULD APPEAR CONTRARY TO THAT
COVENANT, AT LEAST IN CONTEXT OF CONTRACTOR PROVISION LOCAL
COST GOODS AND SERVICES.SCHNEIDER

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